

**MINUTES OF THE REGULAR MEETING  
BARRINGTON HILLS POLICE PENSION BOARD  
JANUARY 23, 2012**

**Call to Order.** President Hammelmann called the meeting of the Barrington Hills Police Pension Board to order at 7:30 a.m. in the conference room of the Village Hall.

**Roll Call.** Present – Trustees White, Fernandez and President Hammelmann (3). Also present were Investment Advisor Dave Wall, and attorney Nanci Rogers of Robbins, Schwartz, et al. Wes Levy of Lauterbach & Amen entered the meeting at 7:45 a.m.

**Approval of Minutes.** The Board reviewed a copy of the minutes from the October 24, 2011 regular meeting. Motion by White, seconded by Fernandez, to approve the minutes of the October 24, 2011 meeting.

Ayes: President Hammelmann, Trustees Fernandez and White (3)

Nays: None. Motion carried.

**Payment of Bills.** Motion by Fernandez, seconded by White, to pay the following bills:

Robbins, Schwartz	\$ 2,728.86
Lauterbach & Amen	1,230.00
Wall & Associates	3,409.51
Dr. Tu	600.00
IPPAC	149.00
IPPFA (Training)	70.00
IPPFA (Dues)	775.00

Ayes: President Hammelmann, Trustees Fernandez and White (3).

Nays: None. Motion carried.

**Investment Report and Recommendations.** President Hammelmann announced that the investment report agenda item was being moved up because Mr. Wall would have to leave the meeting early. There was no objection to the agenda change. Investment Adviser Dave Wall distributed a report showing the status of the Fund's investment portfolio as of the fourth quarter of 2011. A copy of the report is attached to these minutes.

As of December 31, 2011, the Fund portfolio was invested approximately 25% in equity mutual funds (15% in U.S. Stocks and 10% in non-U.S. stocks), approximately 17.5% in cash, with the balance in fixed income securities. Wall reviewed in detail the performance of the Fund's investments for the fourth quarter noting that for the one year rate of return, municipal funds lagged the benchmark measures. The Fund experienced a gain after management fees of \$113,422 during the quarter, with plan assets valued at approximately \$4,958,125 as of December 31, 2011. Wall noted that the Fund's market value as of close on January 20, 2012 had risen to \$5.2 million, so that the Board can now consider additional investments in its portfolio. Overall, the portfolio experienced a 2.6% rate of return in the fourth quarter, with a year to date return of -0.9%.

As of December 31, 2011, the fixed income portfolio was invested 86% in U.S. government bonds, and 14% in mortgage backed securities. The rate of return on the fixed income portfolio for the year ending December 31, 2011 was approximately 5.2%. Wall noted that the report has added two new benchmarks with the U.S. Treasury's benchmark at a 6.08% rate of return for the year, and the Agency benchmark at a 3.70% rate of return.

On the stock side, the equities portfolio is currently invested 34% in non-domestic stocks. The equities fund rate of return was 6.84% for the quarter ending December 31, 2011, which lagged the S&P 500 by about 5 percentage points. Since the Fund's inception on December 31, 2008, the rate of return in equities has been 7.93%.

Wall discussed the fact that since the Fund now has reached a net asset value of \$5.2 million, the Board has the option to invest in stocks. Wall noted that he does not invest and trade in individual stocks, but uses exchange traded funds (ETFs) to trade in stocks in real time. Wall provided the Board with a draft of a proposed updated Investment Policy that adds ETFs as an additional investment option, keeping all other provisions of the policy the same. This involved adding language defining permitted equity securities to include exchange traded funds which do not employ leverage or short strategies to Section III D of the policy. The same language would be proposed as a revision to the Equity Guidelines that are attached to the Investment Policy. If the Board approves the proposed amendment to the policy, Wall suggested that the Board consider approving a core holding in stocks, with the goal of reducing the Fund's holding of non-domestic equities from 35% to closer to 15%, and moving from mutual fund holding to ETFs. Mr. Wall also recommended that if the Board approves this recommendation, that the Board open a new Schwab account in order to be able to track the performance after adding ETFs, and to separate the analysis from the Fund's mutual fund holdings. Wall proposed beginning this transition over the next one to two quarters.

The Board discussed Wall's recommendations regarding the revised Investment Policy, a move to including ETFs in the Fund's portfolio, and opening a new Schwab account.

Attorney Rogers reviewed the proposed revisions to the Investment Policy and advised the Board that the added language was legally permissible and accurately reflected the recommendations made by Wall and discussed by the Board. Rogers also discussed with the Board the implications for the Fund's investments if, after including a holding in stocks, the net assets of the Fund fell below \$5.0 million, Rogers advised the Board that

in that case, the Fund would be precluded from making additional investments in stocks until the Fund's value met or exceeded the applicable limitation. However, the situation would not require liquidation of any investment.

Trustee White moved that the Board approve the revision to the Fund's Investment Policy as proposed by Wall, and as reviewed by attorney Rogers. Motion was seconded by Trustee Fernandez

Ayes: President Hammelmann, Trustees White and Fernandez (3).  
Nays: None. Motion carried.

Trustee Fernandez moved that the Board establish a new Schwab account as recommended by Wall. Motion seconded by Trustee White.

Ayes: President Hammelmann, Trustees White and Fernandez (3).  
Nays: None. Motion carried.

Trustee White initiated a discussion about whether the Fund should invest some of the cash it was currently holding. Wall recommended additional investment in the PIMCO total return fund, and the Trustees concurred with the recommendation.

Mr. Wall left the meeting at 8:25 a.m.

**Board Attorney Report.** Attorney Rogers advised the Board that the Illinois Open Meetings Act ("Act") has been amended, effective 1/1/12, and will now require all trustees, appointed and elected, to annually complete training on the Act. Previously only the Board's Open Meetings Act "designee" was required to complete annual training. Current Trustees will have until January 1, 2013 to complete the training, and any trustee appointed or elected on or after January 1, 2012 must complete the training within 90 days of becoming a trustee. The Public Access Counselor ("PAC") has developed separate on-line training for this purpose. Rogers distributed information about how to locate the training on the PAC website, and how to sign in and record the Trustee's participation.

Rogers reminded the Trustees about the fact that under the Illinois Pension Code all pension board trustees now must complete 16 hours of continuing education each year, with training for the current 12 month period to have been completed by August 13, 2011, with a grace period for completion no later than 2/13/12. Rogers has provided each trustee with a certificate documenting the training credits they each have earned for pension board meetings attended from August 31, 2010 – August 31, 2011. Rogers stated that the Trustees should check to be sure that they have met the minimum number of training hour credits no later than February 13, 2012. The hours do not need to be reported to any State entity, but a record should be kept by each Trustee in case they are asked to verify that the required training was completed.

Rogers confirmed that the annual request for the Pension Fund Municipal Levy had been provided to the Mayor and Village Board requesting the same level of funding as

the prior fiscal year. President Hammelmann stated that he believed the Village Board had approved a levy in that amount for the new fiscal year.

Rogers reported on two cases that had been recently decided affecting police pension board benefits. *Mingus v. Police Pension Board of Peoria*, was decided by the Illinois Appellate Court on December 9, 2011. In that case, a Peoria police officer, was injured on duty while trying to push a motorist's stuck vehicle out of the snow. He tried to push the car out by hand and suffered a hernia. He applied for a line of duty disability pension, but the Peoria Pension Board denied this request and instead awarded him a non-duty disability pension. Mingus appealed and the trial court affirmed the Pension Board's decision. Mingus further appealed. The narrow issue on appeal was whether the injury was incurred as the result of the performance of an act of duty. The appellate court noted that an act of duty is "any act of police duty inherently involving special risk, not ordinarily assumed by a citizen in the ordinary walks of life, imposed on a policeman by the statutes of this State or by the ordinances or police regulations of the city. The court reasoned that unlike an ordinary citizen, as a police officer, Mingus was required to stop and attend to the situation and thus at the time of the injury he was performing an act of duty. The appellate court reversed the decision and awarded a line of duty disability pension.

The second case was *Sola v. Roselle Police Pension Board*, decided by the Illinois Appellate Court on January 6, 2012. The procedural history in the *Sola* case is complicated, and evolves from a complaint first filed in 2002. In this case, Sola was awarded pension benefits as a surviving spouse of a former Village police officer in 1993, and shortly thereafter was granted an annual 3% cost of living benefit. In 2001, the Village advised Sola she was not entitled to the cost of living increase and Sola filed a complaint arguing that the Pension Board had no jurisdiction to hold a hearing to review her pension benefits and deny the annual increase. The trial court and the appellate court agreed. Then in 2009, the Illinois Supreme Court decided a case affirmatively determining that the 3% cost of living adjustment was not applicable to survivor pension benefits. The Board held a hearing to decide whether Sola's benefits should be adjusted and the Village intervened. The Board determined that it had no authority to modify Sola's pension benefits. The Village appealed that decision, which ended up before the appellate court. The appellate court decided that in fact the Board had no authority to hold a hearing to adjust Sola's benefit due to the change in the law. The bottom line is that even where the law had changed regarding the terms of a surviving spouse's entitlement under the pension code to a cost of living increase, the Board had no authority to rehear the annuitant's case because it was beyond the 35 day limit for review of an administrative decision of the Pension Board.

**Accountant Report.** Wes Levy distributed a monthly financial report for the month ended December 31, 2011 prepared by Lauterbach & Amen, LLP. A copy of the report is attached to these minutes. The report depicted the statement of plan net assets for the Fund as of December 31, 2011, and the related statement of changes in plan net assets for the twelve months ending December 31, 2011. As of December 31, 2011, plan net assets held in trust were \$5,030,543. Plan net assets increased by \$820,637 for the year ending December 31, 2011. Total member contributions to the pension fund for the twelve months ending December 31, 2011 were \$164,185, and employer

contributions were \$965,009, for an increase in total contributions of \$1,129,194. Levy also reviewed supplementary financial information contained in the report. Levy noted a loss on mutual fund investments for the year of \$198,545, with total revenues received for the year at \$1,076,653. Investment income for the period was a \$179,499 loss.

Motion by Fernandez, seconded by White to accept the accountant's report. Motion unanimously carried by voice vote. Levy also distributed a statement of annual benefit increases as of January 1, 2012, which was accepted by the Board.

**Vacant Board Seat.** President Hammelmann reported that he has not received any further information from the Mayor regarding an appointment to fill the vacant Board seat.

**Guest Speakers.** None.

**Further Matters for Discussion.** It was noted that there is a Trustee ethics training session available on May 15-18, 2012 in Springfield, Illinois.

There were no other matters for discussion.

**Next Meeting.** It was announced that the next regular Board meeting will be April 23, 2012 at 7:30 a.m. at the Village Hall in the Village of Barrington Hills.

**Adjournment.** On motion by Fernandez, seconded by White, and unanimously carried by voice vote, the meeting was adjourned at 8:40 a.m.

APPROVED:

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President Hammelmann

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